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UNITED NATIONS DEVELOPMENT PROGRAMME

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DP/PROJECTS/7295

ENGLISH

APPROVAL OF UNDP ASSISTANCE TO AN INTERREGIONAL PROJECT

(INT/92//207) - Reconciliation of Environmental and Trade Policies

Date of approval by the AC:	3 June 1992
Expected duration:	18 months
Proposed executing agency:	UNCTAD
Government implementing agency:	Various agencies
Proposed UNDP contribution:	$400 000
Source of funds:	SPR, National IPF financing; and Third-party financing to UNCTAD

Project background

The current debate on environmental issues within the United Nations, particularly in the preparatory process for UNCED and in UNCTAD, pays special attention to the interactions between trade, environment and development. Agenda #21 is pointing to the necessity "to elaborate studies for the better understanding of the relationship between trade and environment for the promotion of sustainable development." The debate in the United Nations is as much on development oriented trade issues, such as commodities and market access, as on the more specific issue of trade and environment. Ultimately, there should be no conflict between trade and sustainable development as trade is an instrument of economic growth and development which, properly managed, widens the options for environmental protection. Because of the implications for development of both trade and environment policies, UNDP should assist developing countries in gaining a clear picture of the relationships involved in order to strengthen the position of the developing countries in international negotiations on both trade and environment, in development related discussions, and in determining appropriate national policies.

UNCTAD has developed a broad programme of action on the relationships between trade, environment and development, supported by UNCTAD's regular budget as well as by contributions to UNCTAD from the Government of the Netherlands and the International Institute for Sustainable Development in Canada. Within this broader programme, UNDP proposes, to undertake two main activities, a series of country-case studies and macro-theme studies, focusing on the economic, environmental and trade situations of specific countries supported by analyses of overall importance.

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Description of project

The project will have a firm base on work already undertaken in the GATT, UNCTAD, the OECD as well as within various institutions. It will attempt to generate data and specific examples from a range of countries in order to shed light on particular trade and environment issues such as commodities and technology. But more importantly, it should allow for the formation of a composite picture of trade, development, environment issues as they affect the policies and prospects of developing countries in light of current trends of international trade and environmental regulations.

Work will focus on analysing the national experience of 14 or more developing countries, including examples of economies in transition. For each country the trade/environment link will be analysed from two perspectives: (a) an analysis will be made of the impact of environmental concerns and regulations in the major external markets on the exports of the particular country; and (b) a second study will focus on the impact of trade (principally exports) on the environment of the country. These studies will be undertaken separately but concurrently to allow coordination in the framing of policy responses required at the national level.

Inputs

UNDP will provide international experts in environmental and trade policies; a subcontract for consultants to handle project activities in 15 countries; thematic studies and country studies conducted at both the national and international levels involving four work-months of programme coordination and background research for centralized technical support and advice; and miscellaneous costs.

Financial data

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Personnel	24 000
Subcontract	300 000
Training	110 000
Miscellaneous	10 000
Total	444 000

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APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF
CHINA

IPF:(1992-96) $176 600 000
(CPR/91/210) - Efficiency and Environmental
Improvement in Coal Utilization

Date of approval by the AC:[1/]	3 June 1992
Expected duration:	Five years
Proposed executing agency:	Government
Government implementing agencies:	Ministry of Chemical Industry (MOCI), Ministry of Energy (MOE), National Environmental Protection Agency (NEPA), Dalian Municipal Government (DMG), Ministry of Geology and Mineral Resources (MOGMR), China National Coal Corporation (CNCC)
Proposed UNDP contribution:	$ 7 426 000 Source of funds: IPF
Government cost sharing:	$ 8 180 000
Total UNDP budget:	$15 606 000

Project background

China is the world's biggest producer and consumer of coal, with current output of over one billion tons per year. This is expected to rise to 1.2 billion tons by 1995 and 1.4 billion tons by the turn of the century. Coal meets 75 percent of the country's energy requirements, and this heavy reliance is expected to continue for the foreseeable future, despite attempts to diversify into other more environmentally benign sources of fuel. China's development trajectory is entering an energy intensive stage of growth, and its national strategy for energy development and use is based on key assumptions about the coal sector.

The strategy recognizes that: (i) coal will remain the major energy source; (ii) efforts must be made to both produce and use energy more effectively and ameliorate the environmental impact of producing and burning coal; and (iii) there is a crucial interdependence between energy, environmental economics and industrial policy. Energy development is therefore the key to medium and long-term plans for social and economic development, as set out in the Eighth Five-Year Plan (1991-95) and the Ten-Year Plan. The Government has embarked on a programme of investment, research and development in the coal mining, power and other industrial sectors and in developing new and renewable sources of energy. Similar efforts are underway in environmental protection to address the

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environmental impact of the additional energy required. In line with agreed priorities as set out in UNDP's Third Country Programme, the Government has requested UNDP assistance in the coal and related areas to focus on the environment and place emphasis on workers' safety.

Description of project

The long-term objectives of the project are to: (a) strengthen the national capacity in environmental protection and natural resource management; and (b) transfer and adapt the technology for development.

The immediate objectives of the project are to: (a) control the pollution from coal; (b) exercise Karst water control; (c) perform thick seam mining; (d) focus on shallow coalbed methane (GEF) and deep coalbed methane; (e) circulate fluid bed combustion technology; (f) recover the chemical from coking operations; (g) establish hot gas cleanup for gasification systems; (h) improve occupational health and safety in the mining sector; (i) lower pollution caused by the production and combustion of coal; (j) reduce emissions of the greenhouse gas methane; (k) develop methods to quantify combustion sources so as to reduce gross emissions in selected areas; and (l) improve the efficiency of resource utilization.

Project activities will include: (a) improving air quality in selected cities by allowing testing of energy-based and environmentally-based control strategies for pollutant emissions associated with coal combustion; (b) establishing a mechanism for determining a rational pricing structure for energy (primarily coal) end-users; (c) developing more effective mining plans based on the identification of subsurface hydrologic and geologic features affecting the development of specific coal fields; (d) increasing productivity, efficiency and occupational safety of underground coal extraction, including making available coal resources in existing mines not recoverable using current practices; (e) establishing the technical and economic bases of methane gas recovery from gaseous mines and deep coal bed resources for distribution and use in urban areas; and (f) promoting commercial-scale efficient and environmentally acceptable alternatives for coal combustion, utilization and conversion technologies.

Inputs

UNDP will provide approximately 390 work-months of international consultancies; 550 work-months of domestic and foreign training to national personnel; subcontracts for the provision of specialized services; and highly specialized instrumentation, materials, software and testing equipment to support the modelling, pilot and demonstration facilities being developed.

Financial data

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Personnel	1 636 000
Subcontract	8 537 000
Training	2 317 000
Equipment	2 787 000
Miscellaneous	329 000
Total	15 606 000

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APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF CHINA

IPF:(1992-96) $176 600 000
(CPR/91/271) - Transfer of Technology to Design, Engineer, Construct and Operate Associated Petroleum Gas Processing Plants

Date of approval by the AC:[1/]	3 June 1992
Expected duration:	Four years
Proposed executing agency:	Government
Government implementing agency:	Lanzhou Petroleum Machinery Research Institute (LPMRI) under Ministry of Machinery and Electronic Industry
Proposed UNDP contribution:	$1 960 900 Source of funds: IPF
Third-party cost sharing:	$ 481 000 Source of funds: LPMRI in cooperation with Inner Mongolian Oil Producers
Total UNDP budget:	$2 441 900

Project background

The Government of China's priority task has been to feed and house her massive population of over one billion. As part of the strategy to achieve this, China has adopted, and is working to improve an energy policy to overcome the constraints in the current energy programme that is struggling to meet demand and relies heavily on coal. Indeed, the current five-year Plan includes an ambitious energy programme which calls for an increase in oil and gas production whilst improving recovery from all sources of energy. The programme also targets improvement of energy supply to people in remote areas and reduction of air pollution through a reduction of coal use.

Oil is providing an increasing source of energy, While present crude production is approximately 3 million barrels per day, most of which comes from large-scale fields. However, efficient exploitation of smaller fields is of increasing importance. The production of crude oil is accompanied in most cases by the production of associated gas which is separated from the crude oil at or near the well head and generally flared, contributing to pollution and global warming. If not flared, the environmental impact is even worse. A multitude of small oil fields are scattered throughout the country, often in very remote locations. The problem of effectively utilising associated gas from these small fields is particularly difficult since the wells do not produce enough to justify piping, even if a conveniently located market existed.

Although it is often not economic for a major corporation to be involved in such small operations, nevertheless the amount of associated gas being flared from all these small wells is approximately 1 billion cubic metres per year, equivalent to 1 million tons of oil worth $ 200 million per year. At the same time, even highly developed economies utilize liquid petroleum gas in rural and remote areas and is particularly cost effective in areas not serviced by gas or electricity mains. This liquid gas (NGLs) can be bottled, stored and transported at relatively low cost and at ambient temperatures. They are clean burning and

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also an important input for the petrochemical industry. Also LPGs (for remote communities) and Ethane (for ethylene) can be separated from the NGLs. To introduce the capacity to design, manufacture, install and operate inexpensive skid mounted NGL recovery plants at remote well sites and subsequently transport gas, the Government requested UNDP assistance under the present approval.

Description of project

The project aims at developing the design engineering, procurement, construction and operating capability in the Lanzhou Petroleum Machinery Research Institute (LPMRI), for small skid-mounted natural gas liquids recovery plants. This will be done through a two-phased approach. First the project will assist LPMRI to select appropriate technology, design, manufacture and conduct demonstration tests of a skid-mounted Natural Gas Liquid recovery plant which will have the advantage of being usable in remote areas and moveable when small wells/field give out. This will be achieved through a subcontract for engineering services. The resulting plant, designed for smaller to medium-sized oil fields, will be used to demonstrate the practicality and economies of gas recovery and the capacity of the institute to design, construct and operate additional plants.

Secondly, the project aims to develop LPMRI's capability to evaluate and study the economic and technical feasibility of recovering NGLs at other remote sites and at off-shore wells; recommend safe, ecologically sound and economical ways of handling associated gases; promote the design, manufacture, marketing and use of recovery plants found to be economically and technically feasible; and upgrade LPMRI's capacity to use computer aided design and engineering techniques. This will be achieved through fielding of appropriate consultant specialists. All aspects of the project will benefit from study tours and locally organized seminars and formal training classes. At the end of the project, and after at least one year of on-site testing of the prototype it is expected that feasibility studies will have been completed for at least four small plants to be ordered by operating companies for installation in remote locations.

Overall, the project will operate under the guidance of a coordination committee made up of the National Petoleum and Gas Corp., the Ministry of Machinery and Electronics, the LPMRI, and the district operating oil companies (end-users).

Inputs

UNDP will provide 29.2 man-months of international consultants with expertise in process design, engineering design, CAP applications, NGL recovery and short-term consultants addressing issues of planning, cost estimation, economic viability, commercial and business uses of the plants and the gas; three sub-contracts for computer software, process design and detailed engineering design; fellowships for process, chemical and design engineering, study tours, conferences and seminars and on-the-job training; equipment for the demonstration plant, test laboratory, and computer design; and miscellaneous costs.

Financial data

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Personnel	338 900
Subcontract	760 000
Training	378 000
Equipment	962 000
Miscellaneous	3 000
Total	2 441 900

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APPROVAL OF UNCDF ASSISTANCE TO A PROJECT OF VIETNAM

(VIE/90/C05) - Industrial Credit Facility in Quangnam - Danang Province
IPF: (1992-96) $92 774 000

Date of approval by the AC: 1/	3 June 1992
Expected duration:	2 years
Proposed executing agency:	UNDP/OPS
Government executing agency:	Danang Province People's Committee
Proposed UNCDF budget:	$3 706 500 Source of funds: General Resources

Project background

The above-mentioned project is an integral part of the UNCDF-funded investment programme for the development of the Quang-Nam Danang Province: a food-deficit region with a number of viable industrial enterprises with no access to foreign exchange for importing machinery and spare parts in order to increase production. Three other approved and already operational projects in the programme are for the improvement of power supply, road networks and irrigation system.

The programme is managed by a Project Implementation Unit (PIU) jointly funded by UNDP and UNCDF under a separate project (VIE/90/C09) and implemented by OPS. The PIU operates within a decentralized and local Government framework, namely The Provincial People's Committee of the Quang-Nam Danang Province. As lack of foreign exchange is a major obstacle to the expansion and modernization of small and medium-scale manufacturing enterprises in Vietnam, the Government seeks to increase rural industrial production, reduce underemployment by creating new jobs, and improve product quality in a number of private and public enterprises.

Description of project

The project will provide medium-term loans (no longer than six years) in foreign exchange at a fixed interest rate of six percent per annum, to private, state and non-state cooperatives, local government-owned) industrial enterprises producing consumer goods, textiles, fisheries and agro-based products in the Province of Quang-Nam Danang, for the purpose of importing machinery, equipment and spare parts. It is expected that a large portion of the loans will be granted to the recently emerging private sector enterprises. Following an agreement reached with the Government, it has been decided that a minimum of 30 percent of the Facility will be reserved exclusively for private enterprises.

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A local bank in Danang, the Bank for Foreign Trade of Vietnam (BFTV) has been selected in order to assess creditworthiness of borrowers and manage loan operations. The BFTV was chosen by the project because of its relatively long and proven experience in handling foreign exchange transactions, particularly processing letters of credit. The project will establish an International Credit Office (ICO) within the Danang branch of the BFTV for the duration of the Project; and staff of ICO will be selected from the BFTV staff and the ICO will be under the joint supervision of the PIU and BFVT management. The ICO will receive technical assistance in form of one international expert in Banking to help its staff in credit analysis and loan accounting aspects of the project. The PIU will also be strengthened by the services of a consultant in industrial development and one national consultant to help identify potential borrowers and help candidate borrowers in preparing feasibility studies, selecting appropriate technology and suppliers.

Interest on the loan will be paid in local currency and will be credited to an Interest Income Account held at BFTV/Danang. The account will be used to finance the operating expenditure of ICO, and the balance of the fund will be used as income for BFTV and as reserve for loan payment default or delays. The principal repayments on the loans will be deposited in a Counterpart Fund Account in local currency at the exchange rate of the date of repayment as quoted by the BFTV or in foreign exchange if the borrower is an exporter. In order to maintain original value of the fund, the Bank is responsible for converting the local currency into dollars. The use of this Fund will be under joint authority of the Provincial People's Committee (PPC) and the PIU. The Counterpart Fund will be used to finance on a grant or loan basis, future generation of small-scale basic needs infrastructure projects. for example, schools, health centers, etc. in selected communes within the Dai Loc District where UNCDF is developing its infrastructure programme in irrigation, power supply and transport. The methodology for selection, design and implementation of the rural infrastructure projects will be developed with funding provided under the project VIE/90/C09.

Inputs

UNCDF will finance the costs of an international expert in banking (12 man-months), a consultant in industrial development (nine man-months) and a national finance consultant (one man-months); office equipment for ICO and PIU, a vehicle and a study tour abroad for selected staff of ICO in commercial banking; and miscellaneous costs.

Financial data

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International experts	210 000
Formulation, Monitoring and Evaluation	191 000
National finance consultant	4 500
Annual audits	45 000
Study tours	12 000
Office equipment	32 000
Vehicles	25 000
Industrial Credit Facility	3 000 000
Contingencies	65 000
Support costs (OPS & UNCDF)	122 000
Total	3 706 500

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